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Dominican Republic

Oilseeds and Products

Annual

2001

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Report Highlights:
Dominican oilseed production is minimal. Soybean meal imports from the United States increases yearly reaching an all time high in MY 1999. During the last three marketing years large quantities of vegetable oil, mostly soybean and sunflower oil are imported from South America.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

There is no soybean produced in the Dominican Republic due to climatic limitations. Other oilseeds, such as copra and palm for oils are produced in limited quantities. Palm oil production has declined as a result of the devastating effects of Hurricane Georges on the palm plantations. In MY 1999, production levels were 3,000 MT, about ten percent of the pre-hurricane levels. Industry experts indicate that the recuperation of the plantations will be a very slow process.

With the exception of about 1,000 tons of coconut meal, there is practically no other oilmeal produced in the Dominican Republic (except minimal quantities of palm kernel meal produced when small amounts of palm kernel are available to crush). The United States has remained the Dominican Republic's major supplier of soybean meal because of quality, price and proximity. During MY 1999, soybean meal consumption increased ten percent over compared to the previous year. The recuperation of a considerable number of poultry farms from Hurricane Georges, the revamping of a major poultry producer and the general elections in May 2000 were responsible for the increase to 350,000 MT. Preliminary estimates for MY 2000 are expected to decrease to 320,000 MT as elections passed, poultry production stabilizes and stock levels return to normal. In addition, the out-year forecast is expected to remain slightly below this level as poultry production regains its efficiency. The appearance of BSE in the international market is expected to allow the poultry industry to continue to grow.

Domestic vegetable oil production in MY 1999 is limited to less than 2,000 MT of crude palm oil and less than 2,000 MT of coconut oil. Local production of oil represented less than four percent of the total supply last marketing year and is expected to fluctuate little over the next two to three years. There is a new oil refinery with Ecuadorian investment being tested for operation in 2001. Having South American investment, they may import crude degummed vegetable oil from Ecuador if prices are competitive. There are no other major investments programed for the near future in light of stiff competition from imported soybean (105,500 MT), sunflower (7,000 MT), corn (2,200 MT), coconut (750 MT) and palm (300 MT) oils in MY 1999.

There is no basic tax on soybean meal, a 10 percent basic tax on crude degummed oil and a 30 percent on refined. The twelve percent value added tax is not applied to oil or meal imports to maintain relatively low and stable prices for the consumer. The Dominican Republic does not subsidize or restrict the trade of vegetable oils. However, the government prefers that all trade be conducted through a registered Dominican agent. The GODR does not have a comprehensive development strategy for the feed sector. Currently budgetary constraints will make any future plan difficult to achieve. Non objection permits are readily available for imports of meal, oil or other feed ingredients but are still required. While soybean imports are not restricted, there are eight commodities which include poultry and swine (sectors that use the majority of the soybean imports), which continue to be protected with permits that are only issued under special circumstances.

American Soybean Association representatives visit the Dominican Republic regularly to service the market in the country and in Haiti through seminars and technical assistance. They also use part-time consultants to service both countries.

Oilseeds

Production

Soybean are not produced domestically because of unfavorable climatic conditions. Years ago soybeans were imported from the United States and crushed domestically to produce oil and meal. During the eighties, the crushing facility was closed and since, soybean products are imported to satisfy the local market requirements.

Other oilseed production in the Dominican Republic, such as copra, have gradually decreased as a consequence of the relatively low prices of other vegetable oils in the international market and due to competition for other higher value products derived from coconut. In addition the devastating effects of Hurricane Georges in 1998, decreased production even further. As a direct consequence, there are only small quantities of copra available for oil extraction. Peanuts, which were once the major raw material for oil extraction, have had strong competition from less expensive oils. Furthermore, the better prices offered by the snack food industry have left practically no peanuts available for oil.

Palm oil production has declined as a result of the devastating effects of the hurricane on the palm plantations. In MY 1998, production levels dropped to less than 1,500 MT and have marginally increased to 2,000 MT in MY 1999, about ten percent of the pre-hurricane levels. Industry experts indicate that the recuperation of the plantations will be a very slow process.

Expectations for increased oilseed production in MY 2000 and the out-year are marginal as no new investment projects are in sight for peanut, palm or coconut. Copra production continues to decrease and is currently at about 3,000 MT, as a result of several years of dry weather and the 1998 hurricane.

Consumption and Trade

There is only one company processing Dominican oilseeds. MERCASID which refines imported crude degummed oils and further processes crude palm oil, small amounts of palm kernel and copra.

Palm is crushed to produce crude palm oil. Crude palm oil is normally refined or further processed as a component for other locally consumed industrial products. Two companies were devoted to palm oil production: INDUSPALMA, a sister company of MERCASID, a Unilever associate, and INASCA, an independent producer that suffered considerable damages but is beginning recuperation. In MY 1999, over three hundred metric tons of palm oil were imported from the United Sates to cover some of the production deficit.

Over 3,000 MT of copra were processed in MY 1999, yielding less than two thousand metric tons of crude oil. Estimates for MY 2000 are not optimistic. As of March 2001, it appears that this year’s production will remain at the same levels as the year before. Coconut oil yields in the Dominican Republic are slightly lower than the 62 percent average reported in other countries. In MY 1999, seven hundred and fifty metric tons of coconut oil were imported from the United States to cover some of the production deficit.

Stocks

Insignificant.

Policy

The Dominican Republic bound its maximum tariff on most agricultural items, including oilseeds, at forty percent under the World Trade Organization agreement. Most observers, however, believe that oilseed tariffs would not increase beyond current levels of three percent for soybeans and five percent for other oilseeds (plus a twelve percent VAT). This will not affect the processors as there is no large crushing facility in the country.

The Dominican Republic does not subsidize or restrict the trade of oilseeds. However, the government prefers that all trade be conducted through a registered Dominican agent. Import certificates are required but available through the Secretariat of Agriculture (SEA). This requirement is expected to be phased out by the year 2004.

Total Meals
Production

With the exception of about 1,000 tons of coconut meal, there is practically no other oilmeal produced in the Dominican Republic (except minimal quantities of palm kernel meal produced when small amounts of palm kernel are available to crush). Coconut meal production has continued to decrease and currently represents less than 0.3 percent of total meal demand. Estimates for MY 2000 are expected to remain at current levels. The major consumers, feed processors for the local poultry and swine industries, rely entirely on imported U.S. soybean meal (48% protein) to satisfy these sectors' requirements. The United States has remained the Dominican Republic's major supplier of soybean meal because of quality, price and proximity. Although not in recent years, in the past minimal South American imports have occurred (1-2% or less).

Consumption and Trade

During MY 1999, soybean meal consumption increased ten percent over the previous year, reaching an all time high. The recuperation of a considerable number of poultry farms affected by Hurricane Georges, the revamping of a major poultry producer and the general elections in May 2000 were responsible for the increase to 350,000 MT. Preliminary estimates for MY 2000 are expected to decrease to 320,000 MT as poultry production stabilizes and stock levels return to normal. In addition, the out year forecast is expected to remain slightly below this level as poultry production regains its efficiency. Consumption has increased steadily over the last decade, reflecting an increase in consumption of formulated feed, and minor exports to the region. The appearance of BSE in the international market is expected to allow the poultry industry to continue to grow.

Industry sources have indicated that after the collapse of the poultry industry in Haiti, exports of feed have increased to that destination and remains flat to the nearby islands in MY 1999 and into MY 2000. U.S. poultry exports to Haiti increased from US$5 million in CY 1995 to US$12 million in CY 2000.

Protein meal imported into the Dominican Republic is mixed with other imported ingredients to manufacture formulated feed, mostly for the poultry and swine sectors (75:20). The balance is used for cattle and other specialty feeds. There is only one major producer in the formulated feed industry PROTEINAL with a management contract with Purina. Other users are poultry and swine producers that mix their own feed.

In addition to the larger producers, poultry and swine associations, and some major cooperatives raising poultry and swine prepare their own feed formulations to minimize costs. These groups use most of the soybean meal and supply the Dominican population with most of its protein requirements (poultry, pork and eggs). Secretariat of Agriculture data indicate that per capita consumption of eggs has increased dramatically over the last decade, although the industry indicates that 20-30 percent of the egg production continues to move informally across the border to the Haitian market.

The Dominican Republic relies almost exclusively on the United States for its soybean meal imports as price, quality and proximity are the major determinants. Soybean meal has no import tax. Average prices are presented below:

Wholesale Soybean Meal Prices
(RD$/CWT)

	March 97	March 98	March 99	March 00	March 01
	200.00	207.00	213.00	218.00	215.00
Exch. Rate					
RD$/US$1.00	14.00	14.50	16.20	16.20	16.90

Source: Industry

A new product has entered the feed market, mainly for cattle formulations. Corn gluten feed and meal imports have increased from 9,500 MT in MY 1998 to 33,000 MT in MY 1999. It is replacing rice and wheat bran which are sometimes not available in the local market.

Stocks

Stocks are estimated between twenty and thirty thousand metric tons, except in an election year which is higher.

Policy

The GODR does not have a comprehensive development strategy for the feed sector. Currently budgetary constraints will make any future plan difficult to achieve. Non objection permits are readily available for imports of meal or other feed ingredients but are still required. While soybean imports are not restricted, there are eight commodities which include poultry and swine (sectors that use the majority of the soybean imports), which continue to be protected with permits that are only issued under special circumstances.

American Soybean Association representatives visit the Dominican Republic Regularly to service the market in the Dominican Republic and Haiti through seminars and technical assistance. They also use part-time consultants to service both countries.

Soybean meal is freely imported with practically no restrictions. There is no import tax on soybean meal.

Marketing

Soybean meal is imported by a consolidated meal producer who prepares formulated feed for the medium size to small producers in the country. Another portion of the imports is done directly by the major poultry and swine producers and associations who prepare their own feed formulations. Some of the formulated feed also services the Haitian market though informal trade.

Total Oils
Production

Domestic vegetable oil production in MY 1999 is limited to palm (less than 2,000 MT of crude oil) and copra (less than 2,000 MT of oil). Local production of oil represented less than four percent of the total supply last marketing year and is expected to fluctuate little over the next two to three years. There are no major investments programed for the near future in light of stiff competition from imported soybean (99,000 MT), sunflower (7,000 MT), corn (2,200 MT), coconut (750 MT) and palm (322 MT) oils in MY 1999.

Palm oil production decreased considerably as a result of dry weather in the producing region and the effects of the hurricane in September 1998 and has marginally increased. As weather improves, production is expected to gradually improve as the plantations recuperate. In MY 1998, palm oil accounted for 30 percent of total domestic oil output but was down over ninety percent from the year before as a result of the hurricane. Most of the palm oil is processed further (fractionated) into the edible fraction (used for margarine and oil) and the inedible fraction (for soap). There are two companies with palm plantations and extract crude palm oil: INDUSPALMA a sister company to the MERCASID, now part of the multinational Unilever family and INASCA.

In the mid nineties there were five edible oil processors in the Dominican Republic, as of last year, only two are in operation. MERCASID controls approximately 90-95% of the market and "Cesar Iglesias" the rest. Current estimated capacity is over 80,000 MT. A new oil processing facility is being tested for operation in Santiago. It is expected to add an additional 25,000 MT capacity to the Dominican pool and it will begin operations in 2001. About half of the investment is from Ecuador and perhaps, crude degummed oil from that South American country could enter the Dominican market in the future if prices are competitive.

Coconut oil production is limited to the copra remaining from coconuts which do not meet the quality needed for either direct export or processing (i.e. syrup for pina coladas, etc.). Occasionally, some coconut oil is exported to nearby islands, although this was not the case during the last marketing year. There are numerous coconut producers in the country and many of them sell their copra to the oil processors directly.

Consumption and Trade

Total domestic consumption of edible oils (soybean, sunflower, coconut, corn and palm) in MY 1999 has remained slightly above the MY 1998 numbers. This total is not expected to grow much more in MY 2000. Expectations for MY 2000 may show some increases, perhaps with minor fluctuations. In the specific case of soybean oil, it has shown a four percent growth over the last three years. The major change in MY 1999 appears to be, on the basis of the available data from industry, that a shift in consumption pattern from sunflower oil to a less expensive soybean oil.

Current prices for oils have remained at similar levels during the last twelve months and is expected to remain at those levels if there is no local nor international changes in prices. Local wholesale prices in Dominican Pesos are presented below for reference:

Wholesale Prices for oils (RD$)

	March 97	March 98	March 99	March 00	March 01
Soybean Oil---					
30 lb. can	289.96	287.16	309.55	279.36	266.75
15 lb. can	150.82	150.00	175.77	N/A	139.17
7.5 lb.gal 4/cs	70.06	72.67	85.55	75.71	70.56
1 lb. bot.24/cs	11.94	11.88	13.32	12.81	10.42
Coconut Oil---					
30 lb. can	264.00	270.00	270.20	340.00	N/A
15 lb. can	140.00	146.00	141.62	N/A	N/A
7.5 lb.gal 4/cs	71.23	72.23	73.96	96.78	N/A
1 lb. bot.24/cs	11.08	11.33	11.35	N/A	N/A
Peanut Oil (Sunflower)---					
30 lb. can	305.58	302.50	362.40	N/A	266.68
15 lb. can	162.10	160.45	192.26	N/A	153.19
7.5 lb.gal 4/cs	82.53	87.67	97.95	90.10	81.42
1 lb. bot.24/cs	12.83	12.70	15.15	15.29	11.37
Ave. Exchange---					
rate(RD$/US$1)	14.00	14.50	16.20	16.20	16.90

Source: Industry

Corn oil is marketed in considerable smaller quantities and local prices have decreased from RD$90.86/gal to RD$84.80 during the last twelve months (March 2000 vs March 2001).

Price has been the most important consideration dictating the source of imports. Because of the lower Argentinean prices, the industry generally imports South American oil. U.S. oils have had limited success in the Dominican market since the phase out of the PL-480 program in 1989, except for emergency purchases or discount loads.

A summary of the Dominican vegetable oil imports for MY 1997, MY 1997 and MY 1999 is presented below:

Dominican Imports of Vegetable Oils MY 1997, MY 1998 and MY 1999

MY 1997	Soybean	95,984	21% U.S.
	Sunflower	14,988	33 % U.S.
	Corn	2,820	All U.S.
GRAND TOTAL		113,792	24 % U.S.
==			
MY 1998	Soybean	102,921	14 % U.S.
	Sunflower	7,725	0 % U.S.
	Corn	3,002	All U.S.
	Coconut	1,000	All U.S.
GRAND TOTAL		114,648	16 % U.S.
==			
MY 1999	Soybean	105,500	10 % U. S.
	Sunflower	7,000	0 % U. S.
	Corn	2,250	All U.S.
	Coconut	750	All U.S.
GRAND TOTAL		115,500	12 % U. S.

Source: Industry.

Exports of Dominican oils to nearby islands are almost non-existent. With less copra available for crushing and relatively low prices for coconut oil, exports practically stopped in MY 1998 and a total of 750 MT of coconut oil was imported in MY 1999 to compensate for the local production shortfall. Minimal quantities of soybean oil exports have been registered by the GODR (less than 100 MT), but this does not include soybean oil which crosses unregistered into Haiti. The Dominican Republic remains an observer to CARICOM although there are indications that a free trade agreement will be signed soon. If the DR joins that organization, the industry believes it would be competitive and there could be an increase in vegetable oil exports. Barring this, the trend is not expected to change in the near future. The Central American Free Trade Agreement (CAFTC), about to be approved by the GODR, does not include vegetable oil advantages for any of the countries in the region.

Marketing

The Dominican oil market is very competitive with an average supermarket carrying at least six brands. Currently and in addition to the local brands, the most popular brands appear to be Crisco (with canola and soybean oils) and Mazola (with corn) imported from the United States and some olive oil brands from the United States and the European Union. The major selling point of these oils are presentation and price.

The principal brand CRISOL, a crude degummed soybean oil imported mostly from Argentina and refined locally has been the leader in the market because of its price. The second in importance is the DIAMANTE brand, recently acquired by MERCASID. There are no private labels of importance manufactured locally.

Policy

For information on policy, see Oilmeal Policy section.

There is a 10 percent basic tax on crude degummed oil and a 30 percent tax on refined. The is also a 12 percent value added tax (VAT) that is not applied to oil imports to maintain relatively low and stable prices for the consumer. The Dominican Republic does not subsidize or restrict the trade of vegetable oils. However, the government prefers that all trade be conducted through a registered Dominican agent.

Statistical Data

Soybean Meal

PSD Table						
Country	Dominican Republic					
Commodity	Meal, Soybean				(1000 MT)(PERCENT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	ERR	ERR	ERR	ERR	ERR	ERR
Beginning Stocks	30	30	30	50	30	35
Production	0	0	0	0	0	0
MY Imports	315	350	325	320	0	335
MY Imp. from U.S.	315	350	325	320	0	335
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	345	380	355	370	30	370
MY Exports	4	4	4	4	0	4
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	311	326	321	331	0	331
TOTAL Dom. Consumption	311	326	321	331	0	331
Ending Stocks	30	50	30	35	0	35
TOTAL DISTRIBUTION	345	380	355	370	0	370
Calendar Year Imports	0	350	0	325	0	335
Calendar Yr Imp. U.S.	0	350	0	325	0	335
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Soybean Oil

PSD Table						
Country	Dominican Republic					
Commodity	Oil, Soybean				(1000 MT)(PERCENT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	ERR	ERR	ERR	ERR	ERR	ERR
Beginning Stocks	12	12	12	12	12	13
Production	0	0	0	0	0	0
MY Imports	105	103	107	105	0	107
MY Imp. from U.S.	20	11	20	12	0	14
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	117	115	119	117	12	120
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	105	103	107	104	0	107
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	105	103	107	104	0	107
Ending Stocks	12	12	12	13	0	13
TOTAL DISTRIBUTION	117	115	119	117	0	120
Calendar Year Imports	0	99	0	101	0	102
Calendar Yr Imp. U.S.	0	15	0	11	0	12
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0